

Message Text

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ACTION NEA-10

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 3271

INFO AMCONSUL KARACHI

AMEMBASSY DACCA

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E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: EAST PAKISTAN SECURITIES HELD BY ALICO

BEGIN SUMMARY: EMB HAS BEEN ASKED TO INQUIRE OF GOP WHY LOCAL AMERICAN LIFE INSURANCE COMPANY (ALICO) AFFILIATE HAD NOT RECEIVED INTEREST PAYMENTS ON CERTAIN EAST PAKISTAN GOVERNMENT SECURITIES WHICH HAD BEEN RETURNED TO ALICO IN CONNECTION WITH THE COMPENSATION SETTLEMENT FOLLOWING ALICO'S NATIONALIZATION. FINANCE MINISTRY HAS NOW INFORMED EMB THAT IT BELIEVES THESE SECURITIES, BEING PURELY PROVINCIAL DEBT, ARE THE RESPONSIBILITY OF THE GOVERNMENT OF BANGLADESH, AND THAT ALICO SHOULD THEREFORE APPROACH BD FOR PAYMENT. EMB HAS INFORMED ALICO OF THE SUBSTANCE OF THIS REPLY. END SUMMARY.

1. IN LATE OCTOBER, AMERICAN INTERNATIONAL INSURANCE GROUP PRESIDENT MAURICE GREENBERG, THEN VISITING PAKISTAN, ASKED AMBASSADOR FOR EMBASSY'S HELP IN COLLECTING INTEREST ON SOME EAST PAKISTAN GOVERNMENT SECURITIES. THE MANAGER OF THE LOCAL AIG AFFILIATE,

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MR.E. VAZ OF AMERICAN INTERNATIONAL UNDERWRITERS

(PAKISTAN) LTD., SUBSEQUENTLY WROTE TO THE EMBASSY, TO PROVIDE DETAILS OF THEIR PROBLEM. EAST PAKISTAN SECURITIES WITH FACE VALUE TOTALLING RS9,150,000 HAD APPARENTLY BEEN HELD BY AMERICAN LIFE INSURANCE COMPANY (ALICO) BEFORE ALICO WAS NATIONALIZED. AT THE TIME OF NATIONALIZATION, THEY WERE TAKEN OVER BY THE STATE BANK, BUT THEY WERE THEN RETURNED TO ALICO AT THE TIME OF THE COMPENSATION SETTLEMENT. WHEN ALICO PRESENTED THEM FOR PAYMENT OF INTEREST THROUGH FNCB KARACHI, FNCB WAS TOLD THAT THE STATE BANK, AND SUBSEQUENTLY THE FINANCE MINISTRY, HAD THE MATTER UNDER ADVISEMENT. ALICO UNDERSTOOD FROM ITS OWN BUSINESS CONTACTS, THAT PAKISTAN HOLDERS OF SIMILAR SECURITIES HAD BEEN PAID.

2. EMB APPROACHED FINANCE MINISTRY NOVEMBER 21 ASKING FOR CLARIFICATION. ON DECEMBER 9, E/C COUNSELOR WAS INFORMED BY THE JOINT SECRETARY (EXTERNAL FINANCE) SIRAJ YUSUF KHAN THAT BECUASE THESE SECURITIES REPRESENTED PROVINCIAL DEBT, THE FINANCE MINISTRY TOOK THE POSITION THAT THEY WERE THE RESPONSIBILITY OF THE GOVERNMENT OF BANGLADESH, AND SUGGESTED THAT ALICO APPROACH THE BDG TO COLLECT THEIR INTEREST. HE ADDED THAT IF ANY PAKISTANI BOND HOLDERS HAD BEEN PAID, THIS HAD BEEN DONE PURELY ON HUMANITARIAN GROUNDS, BECAUSE PRIVATE INDIVIDUAL PAKISTANIS HAD NO WAY OF APPROACHING BDG. HE DID

NOT BELIEVE THAT ANY OTHER FOREIGN HOLDERS OF EAST PAKISTAN SECURITIES HAD BEEN PAID BY THE GOP. E/C COUNSELOR EXPRESSED SOME CONCERN THAT THE GOP HAD TAKEN THIS POSITION, GIVEN THE IMPORTANCE WHICH ALL PARTIES HAD ATTACHED TO THE COMPENSATION SETTLEMENT WITH ALICO.

4. EMB HAS WRITTEN TO LOCAL ALICO REPRESENTATIVE VAZ IN KARACHI, GIVING THE SUBSTANCE OF FINANCE MINISTRY'S POSITION. IF THESE BONDS WERE GUARANTEED BY GOP FEDERAL GOVERNMENT, THIS MIGHT HAVE SOME EFFECT ON FINANCE MINISTER'S POSITION. IT IS CLEAR, HOWEVER, LIMITED OFFICIAL USE

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THAT GOP FEELS THIS SHOULD BE RESPONSIBILITY OF BDG. WE DO NOT KNOW WHETHER ALICO WILL WISH TO PROCEED WITH THIS MATTER WITH THE GOP. THE DEPT AND DACCA SHOULD BE AWARE, HOWEVER, THAT ALICO MAY DECIDE TO APPROACH BDG FOR INTEREST PAYMENT ON THESE SECURITIES. BYROADE

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